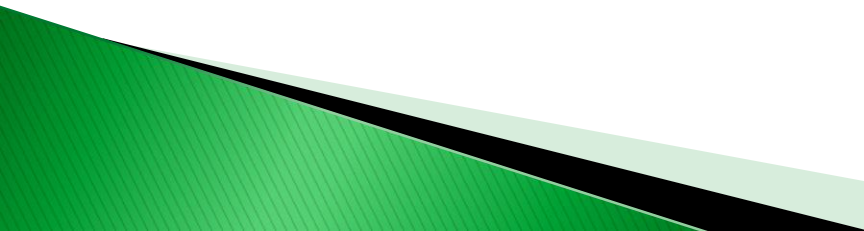


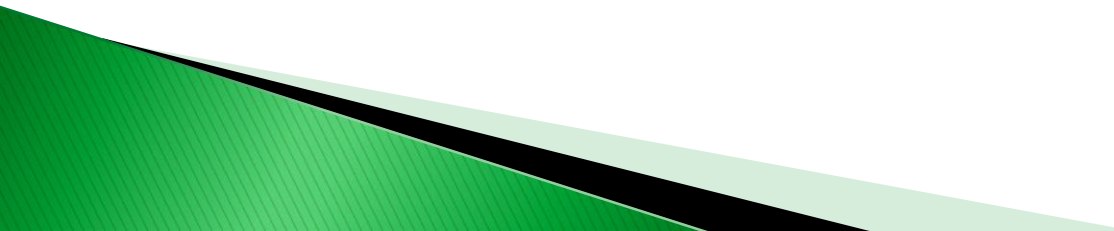
2019 Tax Expenditure Report

Graham Campbell
Fiscal Analyst
January 15, 2019

What is a Tax Expenditure?

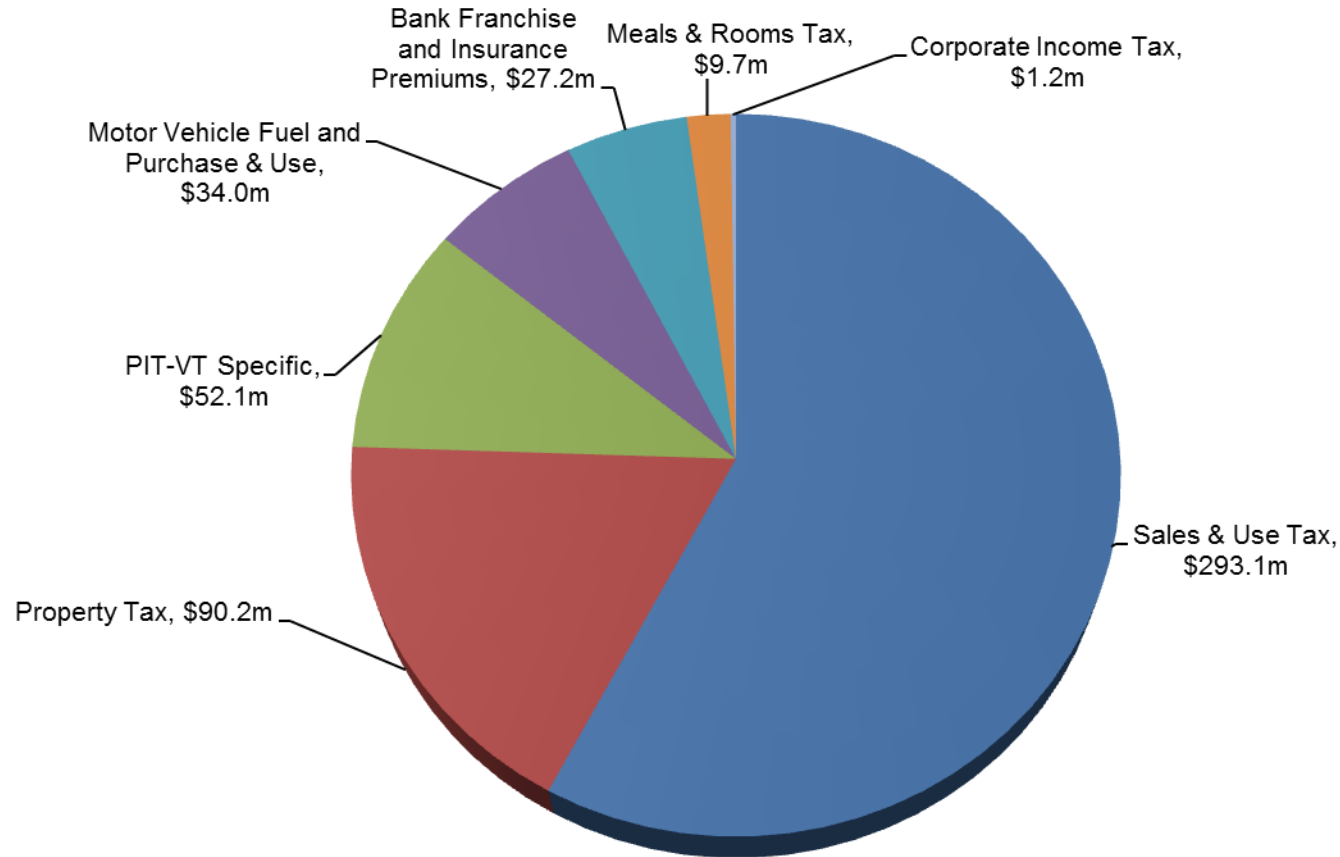
- ▶ Statutory provisions which reduce the amount of revenue that would otherwise be collected
 - ▶ Done to encourage a particular activity or limit the amount of taxes collected from certain groups
 - ▶ Examples:
 - Tax credits and deductions
 - Earned Income Tax Credit, Social Security deduction
 - Exemptions from the tax base
 - Clothing exempt from the sales tax
 - ▶ JFO and Department of Taxes attempt to estimate, when possible, as many expenditures as possible
- 

This Year's Report

- ▶ FY16, FY17 estimates, along with FY20 projections
 - FY18 actuals available for property tax expenditures
 - ▶ Reviews of tax expenditures designed to incentivize a specific desirable outcome, or those related to charitable or public service organizations
 - Full Review of the Capital Gains Exclusion
 - 12 Expedited Reviews
- 

Total Vermont Tax Expenditures-FY17

FY2017 Tax Expenditures: \$507.4 million



Total Vermont Tax Expenditures

Total FY2017 Tax Expenditures (in millions)	
Sales & Use Tax	\$293.1
Property Tax	\$90.2
Personal Income Tax: Vermont Specific Expenditures	\$52.1
Motor Vehicle Fuel and Purchase & Use	\$34.0
Bank Franchise and Insurance Premiums	\$27.2
Meals & Rooms Tax	\$9.7
Corporate Income Tax	\$1.2
Total	\$507.4

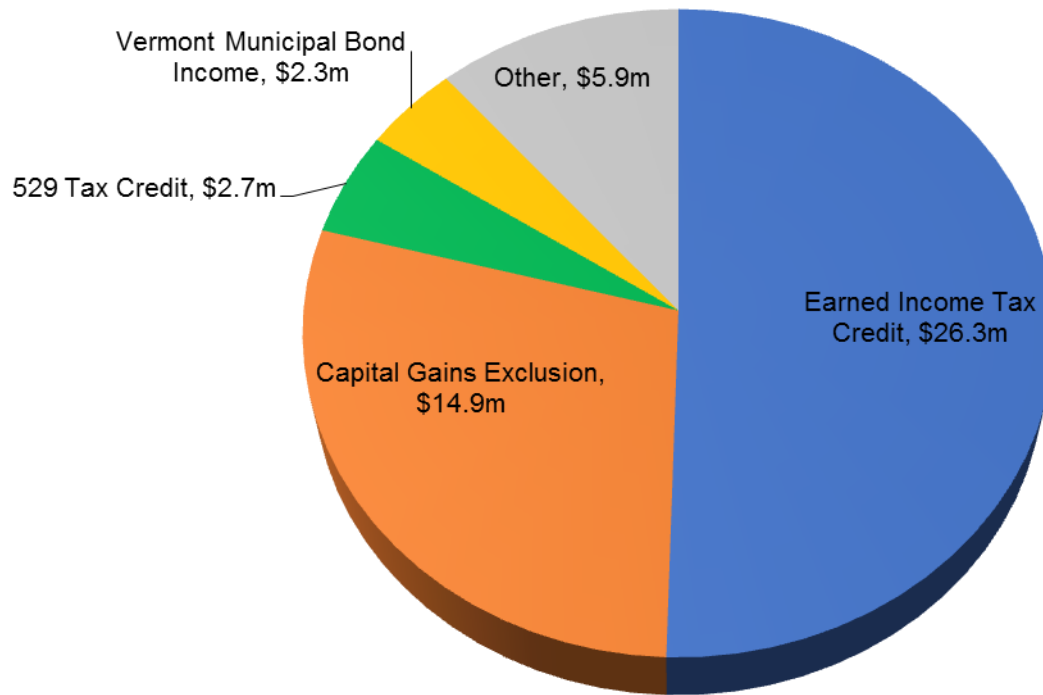
Personal Income Tax- New and Notable

- ▶ Act 11 of 2018: made significant changes to the personal income tax code
 - Decoupling from the Federal code
 - Previous Federal expenditures that flowed through replaced/removed
 - VT Personal Exemption and Standard Deduction
 - All Itemized Deductions removed
 - New Social Security Exemption and Charitable Giving Tax Credit
 - Expanded Earned Income Tax Credit
 - Takes effect tax year 2018 (FY19)

- ▶ FY17 Capital Gains Exclusion
 - Low by historical standards because Tax Cuts and Jobs Act
 - Individuals holding gains in 2017 in the hopes of lower tax rates in 2018

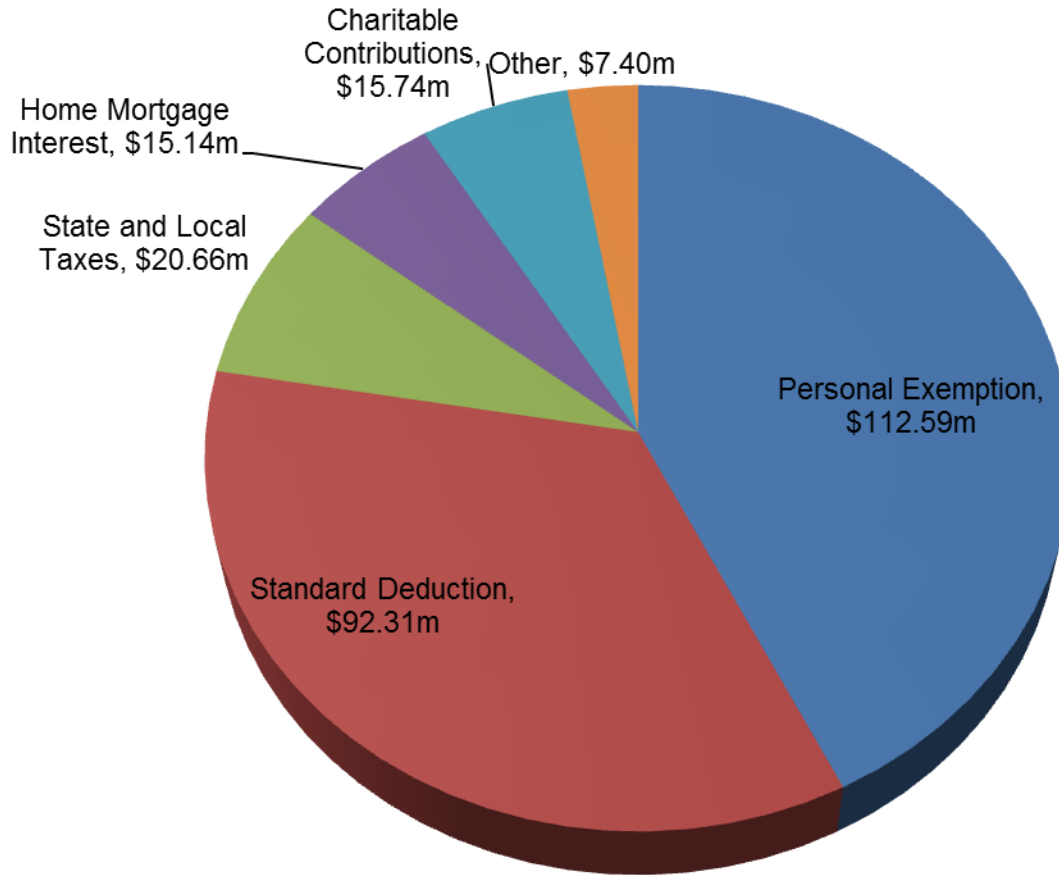
Personal Income Tax-Vermont Specific

**FY2017 Vermont-Specific Personal Income Tax Expenditures:
\$52.09 million**



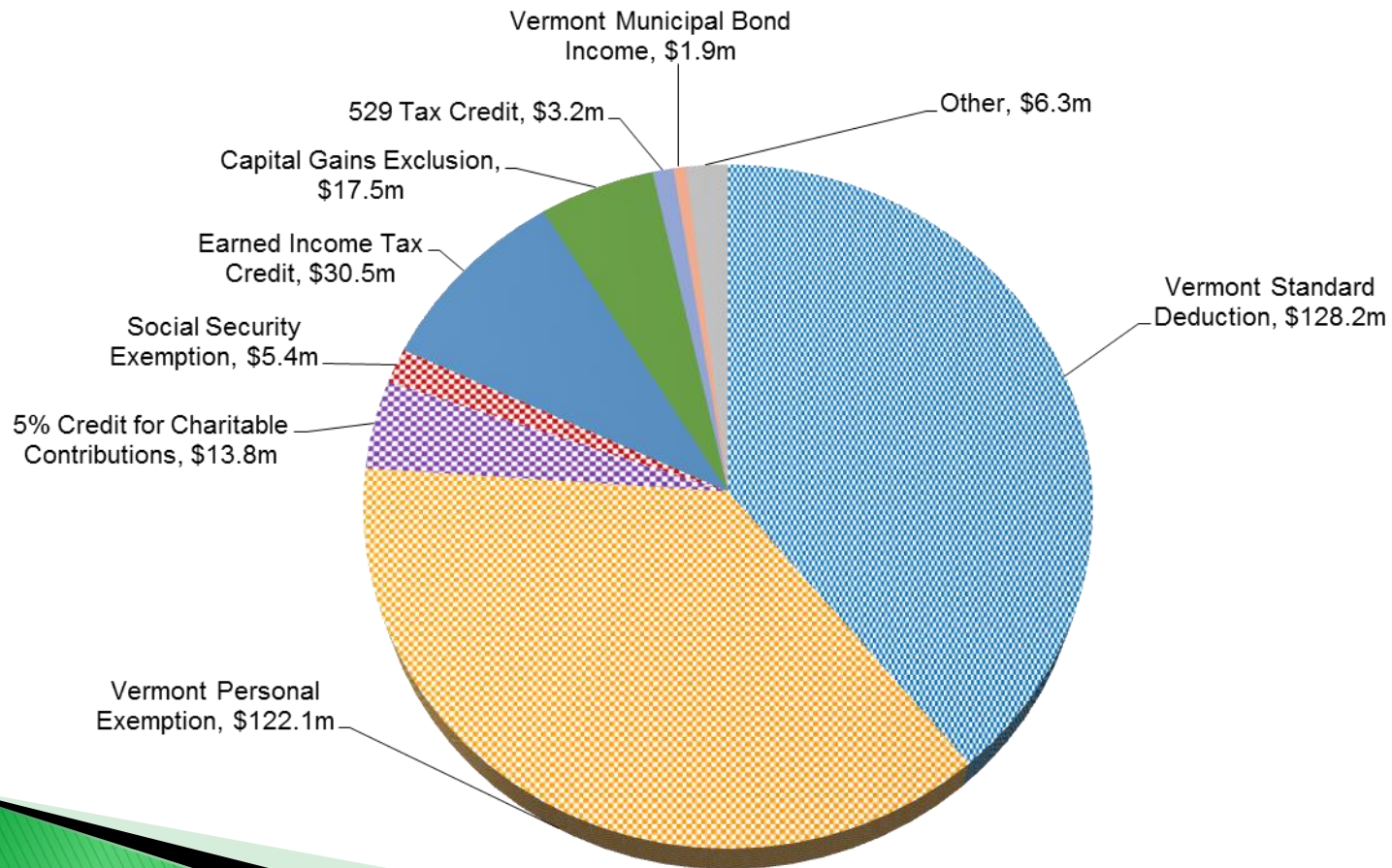
Personal Income Tax-Federal Flow Through

FY2017 Federal Flow Through Tax Expenditures: \$263.8 million



Personal Income Tax- FY20

FY2020 Personal Income Tax Expenditures: \$328.9 million
(Pattern Fill indicates Act 11 tax expenditures)



Personal Income Tax: Act 11

Tax Expenditure	FY20 Projected
Social Security Exemption	\$5.4 million
5% Credit for Charitable Contributions	\$13.8 million
Vermont Personal Exemption	\$122.1 million
Vermont Standard Deduction	\$128.2 million
Total	\$269.5 million

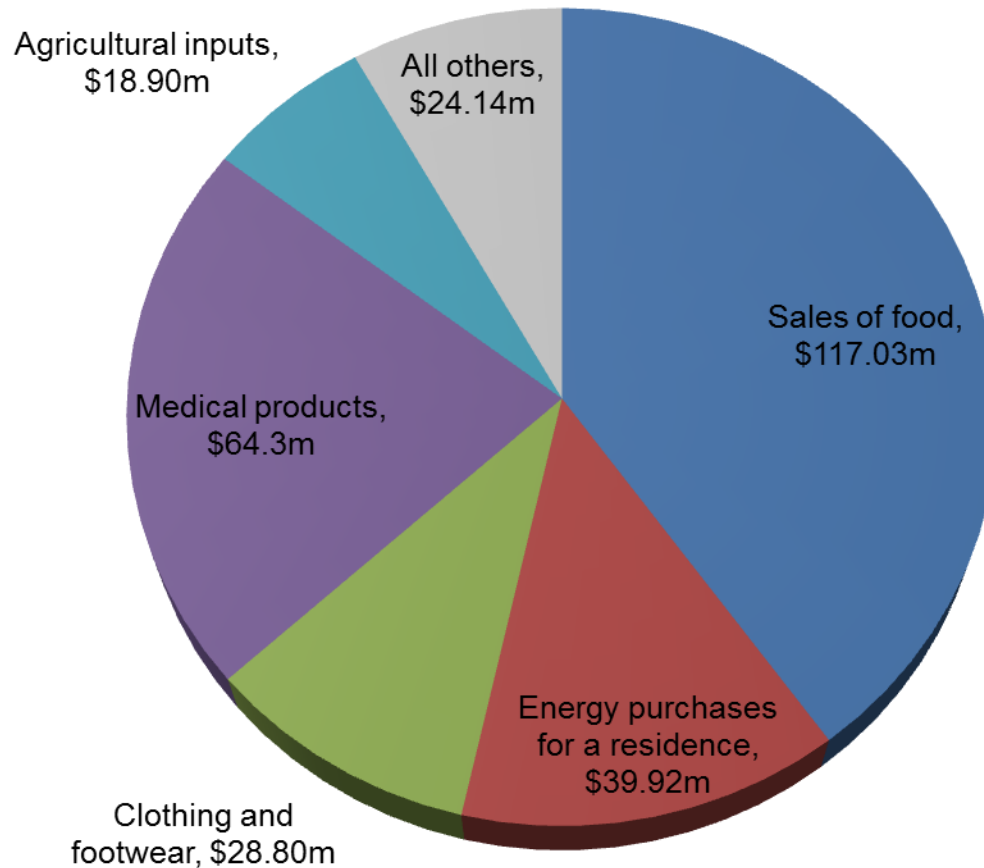
Corporate Income Tax

Corporate Income Tax Expenditures

Item Number	Corporate Income Tax Expenditures	FY 2016 actual	FY 2017 actual	FY 2020 projected
2.001	Vermont Municipal Bond Income Exemption	Inadequate data	Inadequate data	Inadequate data
2.101	Charitable Housing Credit	0	0	0
2.102	Affordable Housing Credit	0	*	*
2.103	Qualified Sale of Mobile Home Park Credit	0	0	0
2.104	Entrepreneur's Seed Capital Fund	0	0	0
2.105	Historic Rehabilitation Tax Credit	*	0	*
2.106	Façade Improvement Tax Credit	0	0	0
2.107	Code Improvement Tax Credit	0	0	0
2.108	Machinery and Equipment Tax Credit	0	0	0
2.109	Research and Development Tax Credit	1,375,000	1,185,000	1,280,000
2.110	Investment Tax Credit	0	*	*
2.201	EATI Tax Credits (carryforward only)	*	*	Repealed
2.202	Downtown Tax Credits (carryforward only)	0	0	Repealed
2.203	Wood Products Manufacture Tax Credit	0	0	Repealed
2.204	Business Solar Energy Tax Credit (carryforward only)	*	0	Repealed
*	Supressed Data (< 10 claimants)	*	*	300,000
Total		1,375,000	1,185,000	1,580,000

Sales and Use Tax

FY2017 Estimated Sales Tax Exemptions: \$293 million



Meals and Rooms

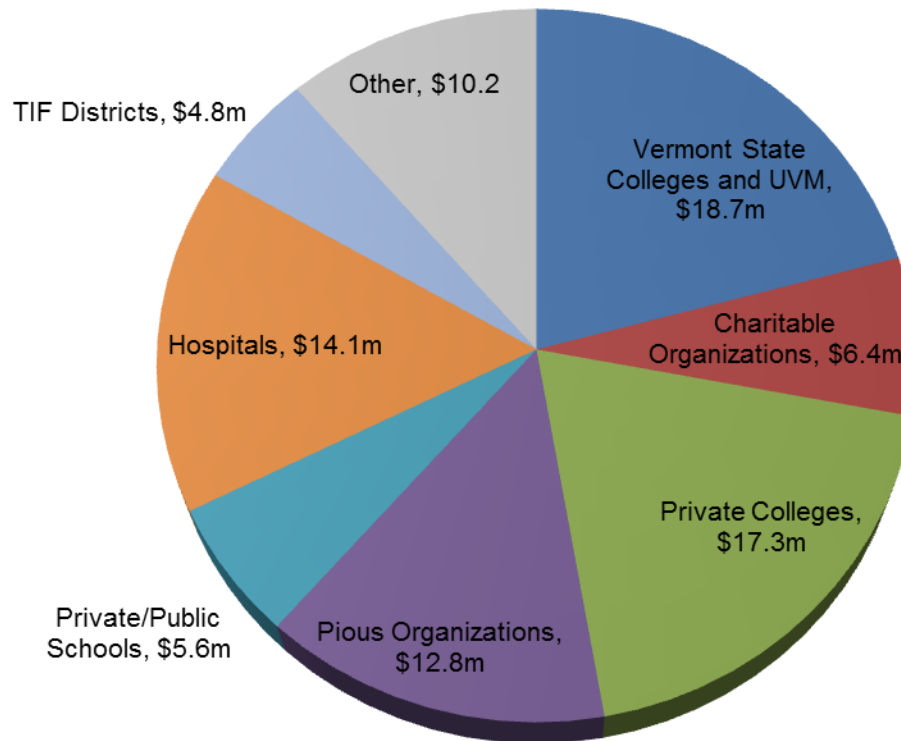
Meals and Rooms Tax Expenditure Summary

Item Number	Meals & Alcoholic Beverages Tax	FY 2016 estimated	FY 2017 estimated	FY 2020 projected
4.001	Grocery-type items furnished for take-out	6,500,000	6,600,000	7,100,000
4.002	Served on the premises of a non-profit	Not estimated	Not estimated	Not estimated
4.003	Served on the premises of a school	2,000,000	2,000,000	2,000,000
4.004	Served in hospitals, convalescent and nursing homes	1,100,000	1,100,000	1,100,000
4.005	Summer camp for children	Under 100,000	Under 100,000	Under 100,000
4.006	Sold by nonprofits at fairs etc but limited to 4 days	Not estimated	Not estimated	Not estimated
4.007	Furnished to an employee of a hotel or restaurant	Not estimated	Not estimated	Not estimated
4.008	Served at a continuing care retirement facility	Not estimated	Not estimated	Not estimated
	Total	9,600,000	9,700,000	10,200,000

Item Number	Rooms Tax	FY 2016 estimated	FY 2017 estimated	FY 2020 projected
4.101	Student housing	Not estimated	Not estimated	Not estimated
4.102	Hotel or restaurant employee	Not estimated	Not estimated	Not estimated
4.103	Summer camps	Under 100,000	Under 100,000	Under 100,000
4.104	Nonprofit establishments	Not estimated	Not estimated	Not estimated
4.105	Rooms at a continuing care retirement facility	Not estimated	Not estimated	Not estimated
4.106	Hospital, convalescent and nursing home	Not estimated	Not estimated	Not estimated

Property Tax

FY2018 Property Tax Expenditures: \$94.8 million



Bank Franchise and Insurance Premiums Tax

Bank Franchise and Insurance Premiums Tax Expenditure Summary

Item Number	Bank Franchise Tax	FY 2016 Actual	FY 2017 Actual	FY 2020 projected
6.001	Credit Unions	1,290,000	1,320,000	1,480,000
6.101	Affordable Housing Tax Credit	1,970,000	2,250,000	2,730,000
6.102	Downtown and Village Center Program Tax Credits	1,570,000	1,020,000	1,440,000
6.103	Entrepreneurs' Seed Capital Fund Credit	0	0	0
6.104	Charitable Housing Credit	0	0	0
	Total	3,760,000	4,870,000	7,130,000

Item Number	Insurance Premiums Tax	FY 2016 Actual	FY 2017 Actual	FY 2020 projected
7.001	Affordable Housing Tax Credit	*	*	*
7.002	Downtown and Village Center Program Tax Credits	*	*	*
7.003	Entrepreneurs' Seed Capital Fund Credit	0	0	0
7.101	Annuity Considerations	10,760,000	10,620,000	12,670,000
7.102	Fraternal Societies	80,000	90,000	90,000
7.103	Hospital and Medical Service Organizations	10,930,000	10,620,000	12,790,000
	Total	25,360,000	26,600,000	25,890,000

Motor Vehicle Tax Expenditures

Gasoline and Diesel Fuel Tax Expenditure Summary

Item Number	Expenditure	FY 2017	FY 2018	FY 2020 Projected
8.001	Gasoline Tax	\$0	\$0	\$0
8.002	Diesel Fuel	\$167,000	\$164,000	\$171,000
	Totals	\$167,000	\$164,000	\$171,000

Motor Vehicle Purchase & Use Tax Expenditure Summary

Item Number	Expenditure	FY 2017	FY 2018	FY 2020 Projected
9.001	Religious, charitable	\$159,000	\$133,000	\$176,000
9.002	Non-registered vehicles	Data unavailable	Data unavailable	Data unavailable
9.003	Gifts	\$2,794,000	\$2,626,000	\$3,308,000
9.004	IRC Sec. 351	\$51,000	\$41,000	\$48,000
9.005	Handicap	\$32,000	\$32,000	\$46,000
9.006	Veterans	\$8,000	\$9,000	\$10,000
	Subtotals	\$3,044,000	\$2,841,000	\$3,588,000
9.007	Trade-In Allowance	\$30,800,000	\$32,700,000	\$35,500,000
	Totals	\$33,844,000	\$35,541,000	\$39,088,000

Questions?